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ABSTRACT

Tailored-for-industry programs like South Carolina's Special Schools and Minnesota's New Jobs raise questions concerning the effectiveness of such programs in creating jobs and their influence on future local and national education policy. Almost every state has a subsidized for-industry program which trains workers for new or expanding industries at little or no cost to the industries: some benefit industry primarily by screening potential employees for labor union background, behavioral and other characteristics. The content and direction of the programs reflect the specific needs of the industry rather than those of the students. Through the programs, states may use funds from federal agencies and programs to compete against one another for industrial development and jobs, often resulting in job shifting rather than job creation. In many cases, industry's use of subsidized training appears to be related more to receiving subsidies than to training workers. No significant evidence demonstrates that the subsidized aspect of these programs plays a critical role in expanding or maintaining jobs in a state. The fact that education departments provide programs in which industry determines the content, location, and criteria for choosing trainees has definite implications for the future of state-supported education. If such programs become a model for future vocational education policy, the content and availability of vocational education could become seriously limited. (CM)

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"Free Training": Special For-Industry State-Subsidized Job Training Programs in Two States

A Report Prepared for the National Institute of Education's Rural Vocational Education Study.

NIE-P-79-0111

Robert Goodman

(1980)

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1. Introduction: For-Industry State Subsidized Training Programs

Recent attempts to link education and economic growth more closely have become an important and sometimes controversial issue among politicians, business people, educators, and other public officials. Broadly stated, many states and local communities are attempting to coordinate and fine tune the education of their people with private industry's investment strategies and the state's aspirations for economic development. Nowhere perhaps is there greater closeness of these ties as in the state subsidized special short-term for-industry job training programs.

The programs have different names in different states; in South Carolina where the programs began in 1961 they are called "Special Schools," in Minnesota, "New Jobs," and in Texas, "ProfiTrain." By 1975, almost every state had some form of subsidized for-industry training programs. Though they vary in detail, many share a common theme; an industry willing to relocate itself to a new state, or an industry which expands in a place it already operates, is provided with job training for its workers at little or, as is becoming the norm, no cost.

The programs are usually short-term, ranging from a week to a few months -- although in some cases they run as long as a year. The state either provides instructors or pays for the time of the companies' own instructors. Classes take place at a local school, a building rented by the state, or the firm's factory. Equipment and material is either provided by the state directly or sometimes lent by the industry. Trainees are either not paid at all, or sometimes paid through CETA grants and other federal and state job training monies. The programs generally involve extensive participation of a state's economic development agencies and vocational education departments.

The closer ties now being forged between state education departments, especially vocational education departments, state economic development departments, and business people, through special state-subsidized for-industry training programs have been lauded by public officials and leaders in business as an important step forward in the creation of local jobs and in the education of the local citizenry. They have been variously described as inducements for the creation of new business and the expansion of existing ones, as well as an essential tool for developing local community's economic base. They have also been criticized as one in a battery of techniques that are used by states to hire jobs away from one another.

This study examines the use of special for-industry training programs in two states: South Carolina and Minnesota. They have been chosen among other reasons for their geographic disparities as well as the different historic origins of their programs. Both states also have large rural populations. South Carolina's program began almost 20 years ago as the first in the nation. Minnesota's program, less than five years old, is like many other similar state programs, modelled on South Carolina's effort, and in a sense, represents an attempt to use the South Carolina experience to improve economic development prospects in Minnesota.

The stated purpose of for-industry training programs is to create jobs, and thus provide state residents with better job opportunities. Educational and economic development advertising promotional material by state agencies explains that these programs reduce or eliminate a company's need to train its employees, provide future employees with high quality training and therefore represent both a benefit to the employer and employee.

The study examines the goals of the programs, and their accomplishments. Through existing data and interviews with state and federal officials as well

as others involved in education, job and economic development in these states, a composite picture is drawn. The resulting conclusions indicate much broader education, economic and social implications than these relatively small programs might initially appear to imply. In some cases they raise immediate policy and legal questions about the specific strategies being used.

2. South Carolina's "Special Schools"

South Carolina's "Special Schools" program claims to be the country's oldest program in state subsidized direct training for industry. Started in 1961, the program was part of an effort by state officials to attract industry. Since that time, 64,000 trainees for 535 industrial firms have passed through the program.

Almost half of all training has been for jobs in textile and textile-related industries. Another one-third has been in metalworking, with the remainder in electrical, chemical, and miscellaneous industries.

South Carolina Technical Education officials believe the "Special Schools" program has played a major role in attracting industries from other states. They are also proud of the fact that the program is being imitated by other states.

During the late fifties, according to Impact, the official publication of the Tech Board, industries began moving to South Carolina to take advantage of the "mild climate, ample land and water, and a work force wanting and needing jobs." The problem says the publication, "Industries soon realized that few of their potential employees had the background and training needed and that they were faced with providing the training themselves." "If the state did not train people for these industries," said a state legislative study committee at the time, "they would go to other states."

In order to compete with other states and to provide industry with a constant stream of trained personnel, a system of 16 post-secondary technical centers were built between the mid-60's and mid-70's. The Tech Centers, or Tech Colleges as many are now called, have been built within a 30-mile radius of 90 percent of the state's population, and provide both two-year and four-year degree programs. By 1978 over 140,000 students were enrolled

SPECIAL SCHOOLS TRAINING PROGRAMS

September 1961 - June 1979

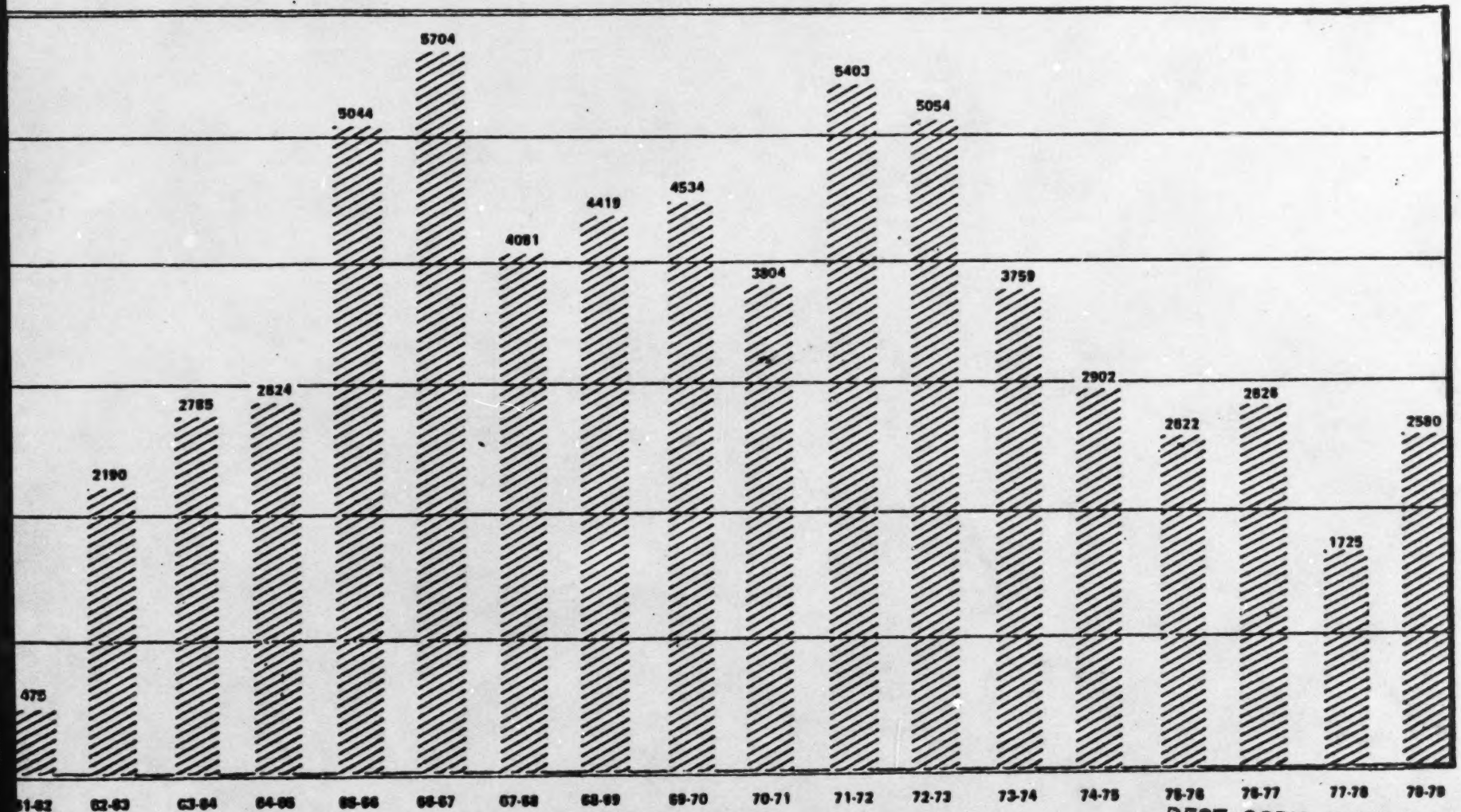
GENERAL CATEGORIES OF TRAINING

	Number of Companies	Number Trained
Chemicals & Plastics	19	1,803
Electrical	21	4,097
Metalworking	154	23,269
Textile & Textile Related	252	30,078
Miscellaneous	89	4,409
TOTAL	535	63,656

Source: State Board for Technical and Comprehensive Education, Columbia, South Carolina.

Source: State Board for Technical and Comprehensive Education,
Columbia, South Carolina

DIVISION OF INDUSTRIAL AND ECONOMIC DEVELOPMENT
STATE BOARD FOR TECHNICAL AND COMPREHENSIVE EDUCATION
Special School Trainees
1961-62 thru 1978-79



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in these centers.

Tech Centers serve as the local base of operations for the Special Schools programs. In Special Schools, according to Impact, "Training programs were prepared to respond quickly and pragmatically to the needs of industry." When a company indicated it would move to South Carolina, planning and training was provided so that "when the plant opened its doors, skilled employees were ready to begin work." In some cases the classrooms for industry are housed in the Tech Center, in other cases they may be at a rented building or an industry's own plant. Recruitment, screening and testing of the trainees is usually done by the state agencies, with industries intimately involved; final hiring is the exclusive decision of industry.

Post-secondary vocational education in South Carolina technically operates under the guidance of the Department of Vocational Education of the State Board of Education. In fact it operates virtually as a separate agency with its own budget and purpose.

According to Dr. Moody Oswald, director of the Department of Vocational Education, his agency administers funds, data, and reporting for the Tech Board in order to meet federal requirements of PL 942-82. But effectively, says Oswald, "They operate by themselves." The major relationship between the State Department of Vocational Education and the State Board for Technical and Comprehensive Education, says Oswald, is to keep each other informed about their programs (articulation). That is, to keep the Tech Board informed about the Department of Vocational Education's programs and to keep the Department of Vocational Education informed about the Tech Board's post-secondary programs. In recent years some secondary vocational schools have come into use as sites for Special Schools programs.

3. Minnesota's "New Jobs"

In Minnesota, special government-subsidized training programs, called "New Jobs" were developed in direct response to similar programs in other states. "The one hundred percent (free training) concept," says Mel Johnson, Director of Program Improvement and Information, for the Division of Vocational and Technical Education, "is based on competition with other states -- that's what industry expects." Johnson's Division, part of the State Department of Education, is responsible for administering the program. At the time, according to another source, Oklahoma was attempting to lure Minnesota industries with offers of better climate, lower taxes and free training.

New Jobs, only four years old, has been a relatively small program, having trained 1700 workers for 24 industries at a cost of $710,000. Training takes place either at the job site, or in one of the state's 33 Area Vocational Technical Institutes (AVTI's). Like similar programs in other states, the training costs of instructors, facilities, equipment and administrative costs are provided free to participating industries. While the New Jobs program pays all training costs, several state officials emphasize they can subsidize a larger part of industry's training costs with Adult Education funds. "We can cover 65 percent of the cost at any time," says Wes Cochrane, Assistant Commissioner of the Minnesota Department of Economic Development.

Unlike South Carolina's Special Schools program, New Jobs is willing to use programs like CETA to pay workers during the training periods. In fact, the criteria for projects states: "The CETA prime sponsor must be contacted so that the company is assured of CETA program services, if eligible." In general, however, CETA has played a minor role in these programs.

Typically, New Jobs training programs have varied between 10 to 50 trainees, with four programs, involving between 160 and 210 workers each,

comprising almost half the total New Jobs effort. The kind of job trained for ranges from garment manufacture to welding, from large-scale power generator manufacture to hospital nursing. To qualify a firm agrees to hire ten new workers over a six-month period. Most training periods average less than 90 days, with an average cost per trainee of approximately $450.

The wide range of jobs reflects the policy of approving projects on a first-come, first-served basis. The process for selecting companies to participate in a New Jobs project resembles the process used for Special Schools in South Carolina; if the state has the training money available, and if a company is moving to the state or expanding within the state and fills out the proper forms, it will usually get the training money.

Although the state Department of Education administers the New Jobs program, the screening of potential trainees is carried out locally. In some cases companies may ask the unemployment security office (Job Service) to do the actual screening, in others they may ask the Job Service to pass the applicants on to the company which will screen directly.

The programs began in 1977 with the use of an initial $80,000 of federal discretionary funds for vocational education. The stated purpose of the programs was "encouraging the expansion, retention or new arrival of manufacturing firms in Minnesota." Eight New Jobs projects were involved in training over 600 people using federal funds. The remaining projects used funds from the state's New Jobs program appropriations, from Adult Education funds, and from state Special Needs funds.

Through an agreement between the two state agencies, New Job projects must be approved by the Department of Economic Development, with the Department of Economic Development carrying responsibility for implementation. During the first year the Economic Development official participating in

the program was funded with vocational education monies.

A few years after the program began, the legislature called a halt to its operation. The action, says Mel Johnson, responded to a stronger state economy at the time. "But then we started losing business to the Sun Belt and the program was put back in."

The policy for funding New Jobs has varied. When the appropriation for New Jobs was stopped by the legislature in early 1980, the Department of Education continued to offer industry training with Adult Training monies allowing the state to pay 65 percent of industry's training costs.

In early 1980, the Minnesota Legislative Advisory Committee decided not to release the remaining funds of a two-year $500,000 appropriation which had been earmarked for the New Jobs program. The decision was made as the result of a disagreement between the Legislature, and the Department of Education over the goals and procedures for the New Jobs program.

Criticism of the New Jobs program has focused on the type of job being trained for, the type of companies involved, and the location of the training programs. At the heart of the criticism was the Department of Education's policy of making the New Jobs program available on a first-come, first-served basis.

Critics in the legislature and to a certain extent in the Department of Economic Development have questioned the use of funds for minimum wage type jobs, for "dead end" low skill jobs. According to one economic development official who asked not to be named, "We didn't support Vocational Education on New Jobs because it's not properly targeted -- not all of the jobs are good jobs, some are low paying."

Some public officials and political representatives have questioned the necessity of using public subsidies for job training; many have felt such subsidies are not critical to a firm's decision to expand or move to the state.

Some Minnesota legislators feel industry should be required to pay all or at least part of the cost for training its employees. Others criticize the program for locating the preponderance of New Jobs projects in rural rather than urban areas. And they have also raised questions about the use of training funds without a plan of what kind of job needs to be developed to have a positive economic and social impact on a community.

4. The Benefits for Industry

The benefits of "Special Schools" to industry in South Carolina, say state and business officials, is the state's help in the process of screening potential employees. South Carolina's training in its "Special Schools" programs is most often for simple repetitive tasks typical of textile and metalworking factory assembly line operations.

With help from the state's Job Service and business management people, the Development Board and the State Board for Technical and Comprehensive Education (Tech Board) will screen workers for attributes which business considers desirable for these jobs. Typically business prefers a ratio of five applicants to every one person chosen; in some cases, more.

According to Earl Ellis, Director of the Special Schools program, "The big attraction is the screening process." In this process, business is able to specify whatever requirements it has for employees, and to review every applicant before he or she is accepted for the training program.

The attributes screened for, according to Tech Board and Development Board officials are cooperativeness with and loyalty to employers, punctuality, attitude towards work, previous skill level and job experience, criminal background, aspirations in life, and record of union activity. According to one Tech Board official, this is called the "pre-employment weeding-out process."

The lack of union activity in South Carolina, says Robert E. Leak, Executive Director of the state's Development Board and ex-officio member of the Tech Board, is the state's singular most important attraction for industry. "Unions have given managers such fits," says Leak. The state's "right-to-work" law and the screening provided by the Special Schools programs, according to Leak, provides an attractive inducement to expanding industries within the state and those looking to relocate from other states.

Special Schools screens for previous union background of the applicants in order to determine the potential loyalty and cooperativeness of the work-force to industry. "If you're known to be a union agitator," Leak explains, "you'll be dropped from consideration." In addition, he says, state officials in charge of screening will ask the local sheriff's office to check for the job applicant's previous criminal record.

According to several officials interviewed at both the Tech Board and the Development Board, a singular attraction of the Special Schools program for industry is that no trainee who enters the program is guaranteed a job, nor are any of them paid during the training sessions. Trainees in the Special Schools program are required to sign an agreement which specifically states they understand they won't be guaranteed a job.

The advantage to industry of the lack of pay, according to N.L. "Butch" Ball, an Administrative Assistant of the Tech Board, is that the trainees must demonstrate their interest in competition with other applicants.

"You have to put up with a lot of garbage," says Ball. "You have a regular job, you have to come in three hours a day, three days a week, you have a wife and kids." Although jobs are not guaranteed, those who are willing to go through this kind of ordeal without pay, says Ball, will usually find themselves with a job when they finish the program.

More precisely, the lack of job status during the training process, according to Leak, protects companies against potential lawsuits by trainees for possible infringement of their civil rights. "People who can't hack it," says Leak, "are dropped without recourse. You can't go to EEOC or some other agency because you're not (officially) employed. If you're in an on-the-job program and you're dropped, you might bring an EEOC action. This involves time for the industry."

Another problem which the state can help industry overcome is to find locations for industries seeking to avoid meeting EEOC requirements for minority hiring. If an industry locates in a predominantly minority area, says Leak, their hiring composition by law must reflect the population of that area. "Management believes if it locates in a minority area, they're more likely to be organized (by unions)... If business doesn't want to locate in a minority area because they don't want to hire minorities, then we have to locate them someplace else or we lose them."

Although training in a Special Schools program is technically available to any qualified person who applies, in fact the program is often used to restrict the movement of workers from one industry within a community to another. This policy, says Leak, restricts the "raiding" of one industry by another. If officials in charge of screening find that a large number of applicants for a new Special Schools training program already hold jobs in a particular local industry, they will restrict the number of applicants from that industry that will be allowed to enter the program.

This policy appears to respond to the concern that business people and other state officials have expressed. Many of the state's industries, especially those in textiles, have a large, relatively low-paid labor force. In many rural communities these firms tend to be almost the only source of industrial jobs. The introduction of a new industry in these communities, while paying lower wages than in many other states, will often represent higher wages than those in local textile jobs. Textile industrialists have sometimes lobbied through local chambers of commerce and state legislators to restrict the introduction of these new jobs.

5. On Job Creation

The use of for-industry training programs ultimately raises the questions of how necessary they really are -- that is, would the "as is" situation of a particular state be significantly different without them. More specifically, does this "education" component of a state's package of economic inducements to industry in any way alter a company's decision to expand in or move to a state.

Public officials in vocational education and economic development agencies in both states claim their special job training programs help create new jobs. None, however, were able to offer any independent evidence to support this hypothesis. What was offered to document job creation were statements that company officials told public officials that the free job training was critical to a company's decision to expand, and letters of endorsement from these company officials. This type of documentation tends to be self-congratulatory, rather than precise. A description of Minnesota's New Jobs program by its supervisor, Stanton L. Williams, for example, notes:

> "Industry and Chamber of Commerce representatives have used such terms as fantastic and unbelievable to express their opinions of the program."

The supervisor routinely asks for letters of endorsement from companies which have used the program. It is not unexpected that firms receiving government subsidies will support these programs. With no independent evidence to prove their claims, companies often imply or outrightly state that the job training was a major factor in their decision to expand and create jobs. Given the relatively small amount of job training subsidy, and the relatively large companies involved, it is difficult to find such claims credible. One notable example comes from the Crenlo Company of Rochester,

Minnesota, a division of Business Equipment, Inc. which received $97 for each employee trained:

> "... it is our confirmed belief we would not have been able to have added 161 persons in 1977 and a minimum of 100 more at the present time without the new job training funds."

The savings to employers ranging from approximately $250 per trainee in South Carolina to approximately $450 in Minnesota tend to support the conclusion that the actual training component of this inducement is a minor factor. On more extensive questioning officials and business people agreed that this order of cost is not critical to a company's decision to relocate or expand jobs. What they did emphasize however was that it was an important gesture of gratitude and symbol of welcome.

The argument that vocational training is in itself a significant factor for attracting industry can be considered questionable. Massachusetts, for example, with the highest per capita expenditures for vocational education in 1976 experienced one of the lowest state rates of job growth between 1970 and 1978. At the same time Arizona, New Hampshire and Texas, with vocational per capita expenditures far below the national average, were experiencing some of the highest job growth rates in the country. New York State, spending about double the per capita vocational education money of these states, had the lowest rate of job growth for the same period. Nevada, which ranked 47th in its per capita spending for vocational education in 1976, had during the period 1970-78 one of the nation's highest rates of job growth.[1]

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1. See Vocational and Technical Education, Selected Statistical Tables 1976 Office of Education, U.S. Department of Health, Education, and Welfare. Cited A Study of Business Climates of the Forty-eight Contiguous States of America. Prepared for the Conference of State Manufacturers Associations (COSMA) by Alexander Grant and Company, Chicago, March, 1979; State job growth figures from U.S. Department of Labor, Bureau of Labor Statistics.

Indeed by 1975, Nevada was the only state without some form of for-industry subsidized job training program.[1]

For most industries, the available evidence suggests that labor wage rates and level of unionization play a much stronger role than state spending for job training or other subsidized incentives in attracting industries. A few years ago industrialists from 39 state associations comprising The Conference of State Manufacturers Associations (COSMA) were asked to vote for categories most important in determining a favorable state climate for business; 24 voted for "Average weekly manufacturing wage" 23 voted for "Labor union membership," while only six votes were received for "Vocational spending per Capita."[2] A 1977 report by the Department of Labor stated, "Labor is the single most important input into the production of a firm, accounting for approximately sixty percent of all input payments on a national basis."[3]

Between 1970 and 1978 the 25 least unionized states (less than 20 percent unionized in 1972) added double the jobs for each of their residents than did the 22 most unionized ones (those more than 20 percent organized). During the same period, the ten least unionized states added more than triple the number of jobs for each of their residents than did the ten most unionized states.[4]

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1. Industrial Development, November-December 1975.

2. Alexander Grant & Company, A Study of Business Climates of the Forty-eight Contiguous States of America, Prepared for the Conference of State Manufacturers' Associations (COSMA), Chicago, March, 1979.

3. United States Department of Labor, Rural Oriented Research and Development Projects: A Review and Synthesis (Washington, D.C.: United States Government Printing Office, 1977).

4. Department of Labor, Bureau of Labor Statistics.

Energy costs, which are often cited in explanations of differential regional job growth, have actually played only a minor role. These costs are critical only in a limited number of industries like petro-chemicals, basic metals (steel and aluminum), paper and paperboard and cement. While these industries use the bulk of the country's industrial fuel, they employ only a tiny portion of its workforce. In 1975, the eight largest energy-using industries, used nearly half of our industrial energy, but employed less than 2 percent of the workforce. America's total industrial energy was $27.6 billion in 1976; manufacturing salaries by comparison were $233.4 billion.[1]

A 1978 survey of studies of business location decisions by Professor Bennett Harrison of M.I.T. and Sandra Kanter of the University of Massachusetts confirms the view that special business incentives offered by the states has little effect in influencing business location decisions.

"With few exceptions the empirical literature fails to reveal significant plant relocation or expansion resulting from (or even correlated with) differentials in state business incentives ... In most cases access to markets, labor costs, and the availability of physical space were paramount locational considerations."[2]

While there are no definitive studies of the specific effect of job-training subsidies on a firm's decision to expand jobs, a number of studies of the role of state tax incentives (incentives which are often much larger than job training subsidies) indicate that such incentives play little or no role, in a firm's decision to create jobs.

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1. Annual Survey of Manufacturers (1974, 1975, 1976). Fuels and Electric Energy Consumed, United States Department of Commerce, Bureau of Labor Statistics, Washington, D.C.; SA, 1978.

2. Bennett Harrison, Sandra Kanter, "The Political Economy of States' Job Creation Incentives." American Institute of Planners Journal, October, 1978.

A 1979 study of state tax incentives by the Public Interest Research Group concluded, "There is little evidence to suggest that tax subsidies are relevant factors in corporate decisions either to relocate from one state or region to another or to increase investments and jobs in already existing plants."[1] Columbus Ohio's Academy of Contemporary Problems in a 1977 survey of "The Impact of State and Local Fiscal Incentives on Economic Development," arrived at similar conclusions.[2]

The lack of significant evidence to prove the job creation attributes of subsidized job training is not to say that training and skilled workers aren't attractive for many industries. What is being questioned is whether the training subsidy itself alters an industrial decision, and whether a company would not, in the absence of such subsidy, be willing to expand jobs and train its own workers.

In Minnesota, state economic development officials were skeptical of state incentives. Wes Cochrane, Assistant Commissioner of the state's Economic Development Department says proximity to markets, proximity to raw materials, and the availability of labor, are more important to industry than special incentives. If these conditions exist, says Cochrane, "a company would go there no matter what kind of incentives are offered." If the same conditions are available in more than one place, however, then incentives and personal taste of the company's decision-makers can be important.

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1. Jerry Jacobs, Bidding for Business, Public Interest Research Group, Washington, D.C., August, 1979.

2. The Impact of State and Local Fiscal Incentives on Economic Development, Academy for Contemporary Problems, Columbus, Ohio, 1977.

The Director of that agency was even more blunt. According to Kent Eklund, special education and many other incentive programs are "just fluff," for companies and are not significant economic factors in their location decisions. In his view labor cost and availability, personal taxes for professional workers, and workmen's compensation costs figure much higher.

6. Rural vs. Urban Locations

In Minnesota, as in many other states, there has been a marked shift of industry to rural areas. The shift, according to some officials, is not to the most rural parts of the state, but to the suburbs and especially to medium-density rural areas, which have a large pool of workers available.

According to Harold Koeck of the Human Resources Development Institute in Minneapolis, garment industries, metal fabrication plants, machine shops, plastics factories, and meat packing houses have moved to rural areas in search of cheaper labor. In some industries like the garment trades, says Koeck, companies are looking to hire farm women at low wage rates.

Wes Cochrane attributes some of the movement of firms from urban to rural areas to be the less unionized workforce of rural areas. He notes there may be particular rural areas which industry might avoid because of organized labor. "They (industry) might have labor problems in one, but not in another."

"Most New Jobs programs are in rural areas," says Stanton Williams, "because these areas are more non-union, have lower pay and have more unemployment." Even union jobs pay less in rural areas, says Williams.

According to Mel Johnson, jobs are locating in rural areas because, "There are fewer unions and wages are lower."

Minnesota's New Jobs programs have been used mostly in rural areas, according to another Department of Education official, simply because that's where most requests come from.

In South Carolina, as in Minnesota, for-industry subsidized training has followed, rather than influenced business location decisions. Reflecting a national trend, industry, especially low-wage, low-skilled industry, has tended to locate in rural, non-union areas. Not surprisingly, South

Carolina, a predominantly rural state, has participated in this trend.

Within the state the trend has been for the lowest wage and lowest skill industries to locate in the most rural areas; others tend to cluster in the existing more urbanized and industrialized areas like Greenville and Spartanburg. By the late 1960s, South Carolina had over 60 percent of all its manufacturing plants in areas classified as rural or small town.

According to some observers, industry has tended to avoid Black rural counties, for fear of unionization. The experience of Blacks in the rural industrialization of South Carolina appears to follow the experience of those other southern states. According to Curtis Toews, a researcher at the Southern Rural Development Task Force at the University of Texas, counties with large Black populations were not sharing in the influx of new industries. "Plants seem to shy away from those counties out of fear that those counties can be more easily unionized than whites." The heavily Black counties of eastern South Carolina, said Toews, were attracting little industry. "In fact, some companies prefer to build new plants in Taiwan and South Korea rather than in a southern county that is predominantly black."[1]

According to Earl Ellis, Director of the Special Schools program, less complex light assembly, and those industries that use unskilled workers and those which use female labor tend to locate in the state's rural areas. It is not the intention of Special Schools to determine where industries locate, says Ellis, rather the training program follows the location of industry. "We are at the mercy of where jobs are."

There is, says Ellis, a perpetuation of existing economic disparities -- "higher paying jobs go to certain areas, lower paying jobs to more rural

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1. New York Times, March 29, 1977.

areas." The problem, says Ellis, might be helped through vocational education in rural areas, but he sees a problem in deciding what to train people for. One has to decide not only what the higher paying jobs will be, says Ellis, but if people are trained, will the industries in fact come to rural areas that need them.

7. The Escalation of Incentives

According to Wes Cochrane, Assistant Commissioner of the Minnesota Department of Economic Development, the more other states provide subsidized job training for industry, the more Minnesota must also provide such training. He cites the example of a Swedish ski manufacturer that had first committed itself to locating in Minnesota, then received offers of training subsidies from Vermont and other states. The company came back to Minnesota officials and said they were re-evaluating their decision -- would Minnesota match the job training subsidies of the other states? "There was no New Jobs money available at the time," says Cochrane, "so the local AVTI (Area Vocational Training Institute) paid for instruction." CETA funds were also used to pay 50 percent of the trainees' wages for 26 weeks. Since the local AVTI didn't have enough ot its own funds to subsidize the company's training, money was shifted to it from the programs of a local AVTI in another part of the state.

The very first project of Minnesota's New Jobs program involved an Iowa portable electric generator firm shifting its location. After using New Jobs to train hundreds of employees in a rural southern Minnesota location, the company closed its Iowa plant.

Minnesota's Education Department claims its New Jobs program helped create these jobs. In other states education officials, economic development officials and CETA officials have often made similar claims for their programs without examining the effect on jobs elsewhere.

For-industry subsidized job training is only one of a battery of incentives states now use in their attempts to retain or attract industries. Nationwide, over 15,000 promotional agencies for cities and states offer industry local

and state tax concessions, low-cost factory buildings, low-cost loans or lenient environmental standards. This kind of public entrepreneuring has become so institutionalized that few communities feel they can avoid joining the competitive battle.

"We steal industry from New York," said Peter Bearse, an economic analyst for New Jersey, "and lose it to Pennsylvania."[1] New York politicians, complaining of job losses, have called for a more competitive posture: the state estimated that in the ten to twelve years before 1974, about 50 percent of the jobs leaving were relocating in New Jersey.[2] "What the South has been doing to New Jersey for 15 years," said New Jersey's chief official for attracting industry, "I'm now doing to New York. It's cutthroat, regrettably," he added, "but it's every state for itself."[3]

In the early 1950s few states offered business low-interest bonds for private development; now almost every state offers them. Between 1966 and 1975, the number of states offering tax exemptions on new equipment increased from 14 to 27.[4] Michigan tax officials estimate that by 1986, tax incentives alone -- a small part of what governments usually offer business -- will cost state and local governments $80 million per year.[5] New York City's

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1. Peter J. Bearse, "Government as Innovator: A Paradigm for State Economic Development Policy," New England Journal of Business and Economics, Spring, 1976.

2. Report of the Select Committee on the State's Economy, Albany, New York, 1974, cited in L. Falk, "Industrial Inducements: Analysis of the Effect of the Pennsylvania Loan Program on New Jersey," Seventh Annual Report of the New Jersey Economic Policy Council and Office of Economic Policy, Trenton, New Jersey, 1974.

3. Business Week, June 21, 1976.

4. Industrial Development, November-December, 1976.

5. Wall Street Journal, June 30, 1978.

Industrial Development Agency, using tax abatements, tax waivers, and interest rate reductions, estimates savings to businesses can "equal or even surpass the initial project cost."[1] According to Washington's Public Interest Research Group, $18.1 billion dollars' worth of subsidized industrial development and pollution control bonds were issued to business during the 1960s and 1970s. At the present rate of increase, they estimate that over the next ten years, the U.S. Treasury will lose over $21.1 billion in foregone taxes through the use of these bonds.[2]

The effect of regional competition results in job shifting rather than job creation. This shifting is paid for by all levels of government; local and state incentives are coupled with federal incentives, such as investment tax credits, tax write-offs for moving expenses or liquidation losses, and job creation programs like CETA. As the escalation of incentives increases, local, state and federal governments use more tax income for such incentives as job training. At the same time, this competition forces workers in some regions to lower their wage rates and eliminate benefits, or face losing their jobs to workers elsewhere.

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1. New York City Industrial Development Agency pamphlet (n.d., received January, 1979).

2. Jerry Jacobs, Bidding for Business, Washington, D.C.: Public Interest Research Group, August, 1979.

8. The Role of Educators in Economic Development

"We're educators, not developers," says Mel Johnson, Director of Program Improvement for the Minnesota Division of Vocational and Technical Education. His role, however, as well as those of other vocational educators in South Carolina and Minnesota, belies the statement.

Both Special Schools and New Jobs programs reflect tendencies in post-secondary education systems of both states to provide technical education to the exclusion of liberal arts education. These special training programs are further removed from liberal arts education than the regular technical school programs. They are often taught exclusively by industry personnel, and if not, the curriculum is custom tailored to industry's prescriptions. As such, the question must be raised -- what is the role of educators in this process?

In the case of South Carolina, the education department helps screen job applicants for traits required by a company. In both states, the education departments serve primarily in the capacity of administering the transfer of government money to industrial firms.

In Minnesota, vocational education officials explained their training programs as direct responses to the requirements of industry -- which includes training for almost any type of manufacturing job. They explain that industry moves to rural areas to find low wage workers and they justify the use of New Jobs training as simply following the path of private development decisions. According to Johnson, "The fact of life in rural areas is that there are no $7 an hour jobs -- for women it's that job or no job at all.... I don't have any trouble with this but there are some that do."

"A job at minimum wage is a good job," says Stanton Williams, "if it keeps that person off welfare, or it's the best that someone can do."

The reliance on business people to determine the direction and content of programs in both states raises serious questions about both the educational content of these programs and the role of the educators involved in them. Educators, often in a well-intentioned effort to promote jobs, are abrogating their responsibility to provide maximum educational benefits to students. Instead they are becoming industrial development advocates, in a position to provide industry with subsidies from public education funds.

Educational and business needs may often overlap. But a business person's need to maximize profit may not in many cases be consistent with training a person in a broad range of skills, which could give that person a possibility of choosing between jobs and improving that person's position.

In negotiating with an electronics firm for a New Jobs project, Stanton Williams was told the company was concerned that workers might be given too many skills and could then move on to better jobs. "They were minimum wage jobs," says Williams, "and they were worried they would lose their employees if they were over-trained. We told them they would control the program, but they were still worried." (my emphasis) They decided against using the program. Business, says Williams, often won't use CETA for the same reason.

In many cases, business' use of New Jobs, Special Schools, CETA and other forms of subsidized training appears to be related more to receiving subsidies than in training workers. This is especially true in low-skilled industries where workers can be trained quickly, have easily duplicable skills, and where large numbers of unemployed are available for the job.

Harold Koeck, an Area Representative of the Human Resources Development Institute at the Minneapolis AFL-CIO, and a member of the Private Industry Council (PIC) of Minneapolis and Ramsey County, explains that on-the-job

programs are often more advantageous to the companies than the participants. "As soon as they're (the companies) off OJT, the employees were gone and they (the companies) ask for another OJT.... Even companies that need no training ask for CETA."

In one case the New Jobs program was used to distribute government funds to industry with little regard for the actual cost of training workers. Williams explained he was asked by the Governor's office to estimate how much money would be needed to train a group of garment workers for the Jack Winter Company in Eveleth, Minnesota. His estimate came to $25,000. But in order for the firm to receive a $100,000 grant from the Upper Great Lakes Regional Commission, the firm needed a $100,000 matching grant from another source. "The Governor said we need to come up with it -- I didn't think we needed to spend that much, but I went along."

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South Carolina's Special Schools training program is perhaps the most directly tied to specific training needs of an industry. The Tech Board and its administrators repeatedly stressed that Special Schools is not an isolated case; the entire post-secondary system, through the sixteen Tech Centers and colleges relies heavily on industry to determine its education programs.

The first priority of the FY 1979/80 for instructional funding, says the Tech Board, is to "provide quality instruction utilizing up-to-date equipment to guarantee graduates with competencies required by business and industry." The promotional material for the state's post-secondary programs stresses the needs of industries, and adapting technical school programs to their needs. One brochure refers to the Tech Board as "alias -- Board

for the Prevention of Start-Up Losses (for Industry)."[1] It explains that the original and present mandate of the board is to help people of the state upgrade their technical skills and "to provide existing and new industry with trained, competent initial manpower on a no-cost basis."[2]

According to N.L. Ball, an Administrative Assistant of the Tech Board, "We do not want to produce a graduate that cannot find a job.... People go to liberal arts programs, take psychology, then can't find a job."

"We have some liberal arts," says Robert H. Sandel, Dean of Continuing and Adult Education at the Orangeburg-Calhoun Technical College, "but that's not our cup of tea." Liberal arts courses, according to Sandel, represent approximately five percent of the curriculum at his college and most other state technical colleges.

In addition to providing a base of operations for the Special Schools program, says Sandel, continuing education at his Technical College is offered to industry at nominal cost ($10 to $15 per student per course) to upgrade instruction for industry workers. In addition, special rooms are provided for business meetings, and consultants are made available to industries that request them. If industry needs a special training program the college will develop it for them. "We don't just court them," says Sandel, "we marry them ... we'll do anything that companies ask of us that we can possibly do."

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1. Start Up in the Black in South Carolina. South Carolina State Board for Technical and Comprehensive Education.

2. Ibid.

According to South Carolina's TEC Board's Advisory Council, its mission "was and still is to train the State's population in the occupational skills required by S.C.'s industry."[1] Tom Gjelten, in another NIE paper in this study, reports on the close ties between industry and the Tech Board programs. "You are our customers," Dr. Don C. Garrison, president of the Tri-County Technical College in Pendleton, told a group of industrialists. "If we don't turn out a product that you will buy, we can't stay in business much longer."[2]

For the future a number of administrators stressed that even more emphasis would have to be placed on industry's needs. To do this, young people's attitudes about blue collar work will have to be changed. According to Robert Leak, secondary school administrators and counselors don't understand the kinds of jobs people will be restricted to in the 1980s and 1990s. "In the secondary schools there is a total lack of understanding by counselors of what working is all about," says Leak. He believes future efforts should be aimed at school counselors to better persuade them of the benefits of blue collar work, especially those in industrial rather than craft jobs.

The apparent success of training a tailored and disciplined workforce for industry has rewarded the Tech Board with continued government financial support for its operations. Post-secondary vocational school administrators apparently reacting to this success, stress their own involvement in training directly for industry; some take special care to refute any claim that its graduates are not able to enter the workforce directly. "The secondary program is the delivery system for manpower in the state," says Dr. Moody Oswald. "It is not true," he says, referring to past criticism, "that the

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1. Evaluation Digest 1978-1979, South Carolina Advisory Council on Vocational and Technical Education, Columbia, S.C.

2. Tom Gjelten, Tri-County Technical College: The Task of Serving Industry in South Carolina. Draft report for the National Institute of Education, Rural Vocational Education Study, April 18, 1980.

secondary (voc-ed) program is a pre-voc program." In the past, says Oswald, post-secondary programs "ignored the secondary system as the delivery system for manpower."

Oswald, echoing post-secondary educators, stressed the need to redirect resources towards training for more blue collar jobs. "Many people shouldn't be in college tracks, since there are no jobs when they get out of college.... We need more vocational training, not college tracks."

Oswald also stressed the new use of secondary school facilities for the Tech Board Special Schools programs. "We're trying to get this information on our Special Schools in the Tech Board's propaganda material."

In South Carolina, officials in both the state Tech Board and Development Board take pride in their close working and philosophical relationship with each other. At the very beginning of the program, the Technical education personnel were housed in the Development Board offices. The close ties between the two have remained. In many cases education officials are virtually interchangeable with business development personnel. Some Tech Board officials came to the education agency directly from business or from the Development Board. Earl Ellis, Director of the Special Schools program, was a former Assistant Director of the Development Board. He also served in management for the Monsanto and Dupont Companies. Tech Board Chairman Francis Bell is an executive with a large textile firm. According to Ellis, it is "the unanimity of opinion" at both the Tech Board and the Development Board that business finds especially attractive.

The Tech Board, according to G. William Dudley, its Executive Director, provides prospective industries with surveys of wages and benefits for various state industries to show how favorably South Carolina compares with other states. "Not many (state) education departments are involved in

this," says Dudley. "Industry needs this to be on target with their needs." Dudley is an ex-officio member of the State Development Board.

Max Heller, Chairman of the State Development Board, echoes the same concern for connecting the needs of business with the state's education policy. According to Heller, a former shirt manufacturer and former mayor of Greenville, the state's largest industrial city, education at all levels from basic elementary school through university must be tied to industry's needs. "Training," says Heller, "should be by the bench, not by the book. Training must be practiced hands-on, not theory."

Industrial training, according to Heller, must involve people of all levels of ability if industry is to get the personnel it needs. "If the Tech system gets only the dummies," he cautions, "they won't go anywhere."

The ties between the Development Board objectives and those of the Tech Board exists at both the state and local level. "Industrial development efforts are inseparable on both local and state level," says Thomas J. Ford, Director of the Orangeburg County Development Commission. The commission's office, which helps prospective industries find development sites, is housed at the Orangeburg-Calhoun Technical College. "The Tech Board and Development Board," says Robert H. Sandel, Dean of Continuing and Adult Education at the college, "are like sisters, they're inseparable."

9. Conclusions of the Study and Implications for the Future

The experience of tailored-for-industry programs like New Jobs and Special Schools raises a number of questions about both the effectiveness of the program in creating jobs and, more generally, how they will influence future local and national education policy. Clearly, since the inception of the Special Schools program in South Carolina in the early 1960s, many states have initiated them.

The conclusions, broadly stated, are as follows:

1. The extensive use of state for-industry subsidized training programs appears, especially in the case of South Carolina, to benefit industry primarily as a program to screen potential employees for labor union background, behavioral, and other characteristics. Not only does this raise questions about the educational content of the programs, but it also raises concern about whether the use of these programs is in effect undermining federally protected rights of state residents.

2. In both states, for-industry subsidized training programs reflect increased emphasis being placed by educators in training people for existing industrial jobs as opposed to providing broader, more general education and skills. The content of the training programs lacks any relation to a set of priorities for determining which kinds of job training might be most beneficial to an individual. The rationale is often, any jobs are better than no jobs, therefore any kind of training is better than no training. The content and direction of the programs reflect the industry's specific needs rather than the student's.

3. Both state programs raise questions about the use of funds from federal agencies and programs to help individual states attempt to compete against one another for industrial development and jobs.

4. In some cases the use of job training funds appears a simple outright subsidy to industry as opposed to funds actually needed for job training.

5. There has been no significant evidence from either state to demonstrate that the subsidized aspect of these programs plays a critical role in either expanding or maintaining jobs in a state. The available national evidence suggests that factors other than subsidized training, such as attitudes towards unions, wage rates and access to markets appear much more critical.

The increased use of education departments to provide programs in which industry effectively determines the entire program, from location, to content, to criteria for choosing suitable trainees, has profound implications for the future of state-supported education. Assisted by public education agencies, these programs are leading to more limited and often segregated opportunities for education, training, and jobs.

The establishment of "closer linkages" between the policies of education and economic development agencies does not of itself appear to improve educational opportunities for state residents. Indeed in cases where economic development policy supports regressive practices of industry (e.g., the avoidance of minority locations) and where education agencies in turn support

and promote these policies, closer linkage simply serves to reinforce limited educational and job opportunity for state residents.

These programs contribute to the spiralling escalation of financial incentives that states offer industry, which increase the public costs of running government and providing services. Such competition between states also leads to the downward pressure on wage rates and undermines the job security of employees through the country. But perhaps the most disturbing quality of for-industry subsidized job training programs is their effect on the current and future role of state-supported education.

For-industry training often appears as an easy-to-implement, politically attractive approach; is a highly visible way for state education officials to produce seemingly quick "educational" results. After a few weeks or months training is complete and people have jobs. Presumably both an educational and job-creating role has been performed, fewer people are unemployed, more of them will pay taxes, and everyone in the state benefits.

The question remains however, how much real <u>education</u> has been involved in this process. Is it the role of educators to train for the tailored needs of industry -- or to more broadly prepare people for the life situations they will face, including work, citizenship (participation in government), to take advantage of cultural opportunities, to choose between career opportunities?

The subsidized job training programs are, after all, <u>training</u> -- usually for a very specific, simple, well-defined task, often performed on the assembly line of a factory. The training for many of these jobs has been traditionally done by an industry itself. Indeed in many of the subsidized training programs studied, it was the industry's own instructors that provided the training.

What then is the function of <u>educators</u> in these programs? For the most part, they act as a conduit for moving state and federal funds for job training

to industry. In some cases they participate in the process of screening individuals for the traits attractive to industry. This function in fact involves little, if any, educational content.

The reason for having education departments involved in these programs appears to be to meet government requirements for the distribution of education funds, in effect to be able to use funds earmarked for education purposes for industry training purposes. Minnesota's New Jobs program, for example, used federal education discretionary dollars to pay for private industry's instruction of workers. Minnesota's AVTI's and South Carolina's Technical Centers and Colleges, built with the aid of federal money, house New Jobs and Special Schools programs for industry. In South Carolina, a separate education department was created (the State Board for Comprehensive and Technical Education) for the purpose of training directly for industry. But to meet federal requirements for receiving education money, the new Board was set up to be officially part of the State Education Department. State education officials acknowledge there is in fact little direct relation between the agencies and their purposes. Indeed, Tech Board administrators take pride in their direct ties to industry and the lack of broad education curricula in their programs. Their mission, they believe, is training students for the jobs that industry has available.

Many educators involved in the special training programs expressed the belief that liberal arts education is simply not the function of vocational schools -- in some cases making the point that such education should come after the basics of learning a trade and getting a job. Mel Johnson of Minnesota's Division of Vocational and Technical Education, notes, for example, that there are no liberal arts taught in the programs he administers and that the role of vocational programs is "training people to do a job and fit in,

to take orders.... If you then get a good job and you have cultural interests you can do it later. But if you're liberally educated in our society and don't have a job, you can't participate."

If training for available jobs, aided by the seeming educational "success" of special training programs, becomes the mission of educators, and liberal arts is deigned a peripheral activity, then the future of public education could be seriously jeopardized.

Vocational administrators in South Carolina, citing cost considerations, are already considering the alternative of shifting more education to the workplace. The need to train for the use of rapidly changing and expensive technological equipment is straining the South Carolina TEC system's ability to attract industry, says Dr. Don C. Garrison, president of the Tri-County Technical College. "There's going to have to be a fundamental change in the teaching-learning process.... I've got to wonder if we can maintain the hands-on approach in the classroom. I think we're going to have to go to co-op education and apprenticeships."[1]

What is apparent from interviews with administrators of special for-industry training programs and of the technical schools of which they are a part, is their strong disdain for education which is not specifically tied to a job. This attitude is likely to be reflected in their resistance to public expenditures for education which is not immediately job-producing.

Determining training programs strictly according to industry's need could create still other problems. Since training in the for-industry programs is made available to a community only <u>after</u> an industry has decided to locate in that community, many of the poorest rural communities could effectively

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1. Gelten, <u>op. cit</u>.

be by-passed; education monies which might have been used to assist these communities' education programs are being shifted to other communities, according to which community industry finds most attractive.

If for-industry training programs become a model for future vocational education policy, both the content and the availability of vocational education could become seriously limited. Not only will vocational education shift increasingly toward narrower training, but this training will be restricted to residents of communities that industry considers desirable, and within these communities, to residents whose racial and sexual characteristics fit industry's preferences.

Versions of this scenario already exist. Vocational monies distribution through the Special Schools program in South Carolina and New Jobs in Minnesota has been determined by industrial location decisions. There is little, if anything, in the programs to suggest that the public, through educational officials, is involved in deciding their educational content. Curriculum, and criteria for who gets trained and what they get trained for, are completely determined by industry; indeed, as one education official in Minnesota pointed out, an industry fearing that workers might be "overtrained" and prepared for higher-paying, more attractive jobs in another industry, was assured that the company, and not the state education department, would control the program.

Although for-industry training programs are technically housed within the state education departments of both South Carolina and Minnesota, they effectively operate under the leadership of officials or entire agencies committed to providing industry with maximum control over educational programs. In the case of South Carolina especially, a separate Technical Board was

created for the express purpose of supporting industry's manpower needs, with a system which allows education officials to respond with short notice training programs. This is a system technically within the state educational system, in order to receive federal funds, but which effectively operates autonomously.

The creation of separate education departments whose main function becomes the satisfaction of industry's employment needs is a serious digression from the original purpose of public education. The words "employment needs" are stressed here because the role of educators has not simply digressed from broad education to limited training, but even the training role has in many cases been superceded by a screening role.

In South Carolina, Special Schools helps skim only the most suitable applicants according to industry's criteria, which as state officials point out, often translates into screening out people with union backgrounds or sympathies, avoiding areas with high minority populations, and assigning jobs by sex-role stereotypes. In South Carolina a quota system which protects existing textile industries from losing their workers effectively allows the Special Schools programs to accept only a limited number of applicants from textile firms.

The question of industry's influence over public education is an old and controversial one. Today's use of education monies for industry training programs has its direct antecedents in programs separating public vocational training that were promoted by industry during the late nineteenth century and throughout this century. Such programs were not only opposed by liberal educators like John Dewey, but by trade unions as well. In 1915, the American Federation of Labor, concerned about the influence of industry on public

education curriculum and the growing separation of vocational and public education, noted:

> It is for labor to say whether their children shall receive a real education in our public schools, or whether they are to be turned out as machine-made products, fitted only for work and to become a part and parcel of the machine instead of human beings with a life of their own, and a right to live that life under rightful living conditions.[1]

Two years earlier, John Dewey advocated opposition against "every proposition, in whatever form advanced, to separate training of employees from training for citizenship, training of intelligence and character from narrow industrial efficiency."[2]

South Carolina is perhaps one of the most advanced examples of the use of public education programs to directly support industry's needs. The enthusiasm with which some legislators and educators in Minnesota, as well as those in dozens of other northern and southern states, are adapting similar programs could indicate a very different kind of educational opportunity for people than the broadly based educational programs that were the vision of the nation's public education advocates.

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1. Martin Lazerson and W. Norton Grubb (eds.), American Education and Vocationalism (New York: Teachers College Press), 1974.

2. Ibid.

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